

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L BRUSSELS 07207

USEEC

PASS TREASURY FOR SECRETARY BLUMENTHAL

E.O. 11652: GDS
TAGS: OVIP, EEC, EFIN
SUBJECT: SECRETARY BLUMENTHAL'S SPEECH IN BRUSSELS

1. AS YOU AND YOUR STAFF PREPARE THE SPEECH WHICH YOU
HAVE AGREED TO GIVE BEFORE THE BELGO-AMERICAN ASSOCIATION
APRIL 26, I RECOMMEND YOU FIND APPROPRIATE OPPORTUNITY TO
ADDRESS FOLLOWING ISSUES.

2. THE COPENHAGEN MEETING OF THE EUROPEAN COUNCIL AGREED
THAT EC SHOULD WORK INTENSIVELY OVER NEXT FEW MONTHS ON
NEW ARRANGEMENTS TO STRENGTHEN EUROPEAN MONETARY COOPERA-
TION. IT IS STILL UNCLEAR EXACTLY WHAT SPECIFIC CON-
CLUSIONS EUROPEAN LEADERS REACHED OR WHAT DIRECTIVES THEY
HAVE PASSED ON TO EC INSTITUTIONS FOR FURTHER WORK. HOW-
EVER, FROM FRAGMENTARY INFORMATION WE HAVE NOW, IT APPEARS
TO INVOLVE NEW ARRANGEMENTS TO TIGHTEN RELATIONSHIPS
BETWEEN SNAKE AND NON-SNAKE CURRENCIES, NEW "DIMENSION"
FOR USE OF EUROPEAN UNIT OF ACCOUNT IN INTRA-EUROPEAN
TRANSACTIONS AND SETTLEMENTS, AND EXPANSION OF RESOURCES
AND ROLE OF EUROPEAN MONETARY COOPERATION FUND.

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3. PRESS, WRONGLY IN MY VIEW AND THAT OF VIRTUALLY ALL
EUROPEANS WITH WHOM WE HAVE DISCUSSED IT SO FAR, HAS
TENDED TO PLAY RESULTS OF COPENHAGEN, BOTH ON MONETARY
FRONT AND AS REGARDS DECISION TO WORK TOWARD CONCERTED
GROWTH STRATEGY, AS EUROPEAN DECISIONS TO "GO IT ALONE"
AND AS BEING ANTI-AMERICAN IN CONCEPTION. THERE ARE SOME

ACTIONS THEY COULD TAKE THAT MIGHT BE, BUT I HAVE SEEN NO EVIDENCE THAT WHAT HAS BEEN CONSIDERED UP TO NOW (E.G., IN JENKINS' PROPOSALS), OR FROM BRIEFINGS WE HAVE GOTTEN FROM SUMMIT PARTICIPANTS, ARE EITHER AIMED IN THAT DIRECTION OR DESIGNED TO UNDERMINE INTERNATIONAL POSITION OF THE US. ON THE CONTRARY, IT STRIKES US THAT MORE RATE STABILITY IN EUROPE AND INCREASED OVERALL EUROPEAN RESPONSIBILITY, INCLUDING COMMUNITY-WIDE REFLATION, FOR WORLD ECONOMIC HEALTH ARE IN OUR INTEREST.

4. THAT SAID, I BELIEVE IT IS VIRTUALLY INEVITABLE THAT BRUSSELS PRESS CORPS WILL QUESTION YOU IN APRIL 26 PRESS CONFERENCE IN HOPE OF ELICITING FROM YOU A NEGATIVE RESPONSE TO EUROPEAN INITIATIVE. CONSEQUENTLY, I BELIEVE IT IMPORTANT FOR YOU TO ADDRESS THIS QUESTION IN YOUR SPEECH AND STAND ON THOSE REMARKS. I RECOMMEND A STATEMENT TO THE EFFECT THAT THE US IS MUCH INTERESTED IN THE PROPOSALS COMING OUT OF COPENHAGEN FOR CLOSER MONETARY COOPERATION IN EUROPE, THAT WE HAVE LONG SUPPORTED EFFORTS BY EUROPEANS TOWARD MORE EFFECTIVE INTEGRATION, THAT WE LOOK FORWARD TO DISCUSSION OF EUROPEAN IDEAS ABOUT HOW TO STRENGTHEN INTERNATIONAL MONETARY STABILITY, BOTH AT IMF MEETINGS IN MEXICO AND AT BONN SUMMIT NEXT JULY, AND THAT WE ARE CONFIDENT THERE IS NO INHERENT CONFLICT BETWEEN THE CONCEPT OF CLOSER EUROPEAN UNITY IN MONETARY AREA AND OUR SHARED GOAL OF A STRONG, STABLE, INTERNATIONAL MONETARY SYSTEM. CONFIDENTIAL

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YOU MIGHT ALSO ADD THAT WE WELCOME COPENHAGEN AGREEMENT TO TAKE CONCERTED ACTION TO LIFT THE RATE OF EUROPEAN GROWTH, A DECISION FULLY IN LINE WITH THE AGREED OECD STRATEGY.

5. SECOND POINT WHICH I BELIEVE YOU SHOULD ADDRESS IN YOUR SPEECH IS TO LAY TO REST THE CANARD THAT US SEEKS AN UNFAIR ADVANTAGE FOR OUR EXPORTS FROM AN UNDERVALUED DOLLAR. A STRONG REAFFIRMATION OF THE ADMINISTRATION'S INTENT TO CONTROL INFLATION IN US AND RECOGNITION THAT UNDERVALUED DOLLAR CONTRIBUTES TO DOMESTIC US INFLATION WOULD CERTAINLY BE IN ORDER AND VERY USEFUL TO US IN COUNTERING THESE FEARS.

6. IN ADDITION TO INCLUSION THESE THEMES IN YOUR SPEECH, I WOULD ALSO URGE YOU TO BRING THEM UP IN YOUR PRIVATE CONVERSATIONS WITH JENKINS AND ORTOLI WHILE YOU ARE HERE. HINTON

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